



# The Washington Suburban Sanitary Commission

## Small Local and Minority Business Enterprise Program

### *Legislative Report*

*July 1, 2003 through June 30, 2004*

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# Introduction

The Washington Suburban Sanitary Commission (WSSC) presents this report to the Montgomery and Prince George's County Senate and House Delegations in compliance with Sections 3-102(6), 3-109(f), and 3-110 of Article 29 of the Annotated Code of Maryland. The Article states that the WSSC shall issue a report concerning the implementation and administration of the WSSC Minority Business Enterprise (MBE) and the Small Local Business Enterprise (SLBE) programs through June 30 of each year.

It is the policy of the WSSC that it not actively participate in any program that discriminates in any manner against minority, female or disadvantaged firms. The WSSC has implemented a Small Local and Minority Business Enterprise (SLMBE) Program that seeks to ensure that minority-owned firms have the same opportunities to succeed in pursuing contracts as any other potential vendor absent the historical effects of discrimination.

Presented in this report is a synopsis of the activities and accomplishments of the WSSC SLMBE Program, which demonstrates the Commission's effort to identify new small and minority-owned firms for the purpose of including them in its contracting processes. These processes include Architecture and Engineering (A&E), Construction, Procurement and Professional Services. This legislative report covers the period of July 1, 2003, through June 30, 2004. A history of the activities undertaken as well as a statistical summary are incorporated.

# Program Development

In March 1999, MGT of America, Inc. was hired to complete a disparity study as is required by law. The MGT study presented 22 recommendations designed to enable the Commission to improve its processes for encouraging and providing small, local and minority firms greater access to contracting opportunities with the WSSC.

Based on the recommendations of the disparity study conducted by MGT of America, Inc., the WSSC reestablished its Construction Program, which had been terminated since November 1996. The key component in reestablishing this program was to create a model that would provide opportunities for a broader range of contractors, withstand court scrutiny, meet the needs of the Commission and lead to greater economic development for Montgomery and Prince George's Counties. The Commission reestablished the SLMBE Program for Construction in January 2001, with a voluntary goal of 20 percent for minority businesses.

Policies and procedures with race-neutral initiatives were drafted and approved pursuant to Article 29, Section 3-110 of the Annotated Code of Maryland (Standard Procedure No. 02-01). These procedures introduced a new program, the Small Local Business Enterprise Program (SLBE). The SLBE Program is intended to provide an additional race and gender neutral tool for the Commission to use in its efforts to ensure that all segments of its local business community have a reasonable and significant opportunity to participate in WSSC contracts.

The SLBE Program also furthers the Commission's public interest to foster effective broad-based competition from all segments of the business community, including but not limited to minority business enterprises, small business enterprises and local business enterprises from Montgomery and Prince George's counties. The SLBE Program is designed to assist small and local business enterprises in obtaining contracts in the areas of architecture and engineering, construction, procurement and professional services. The SLMBE Group is responsible for the administration of this program.

Firms wishing to participate in the SLBE Program are required to register by completing **SLBE Form R** and a signed affidavit **SLBE Form R (a)**. The affidavit states that the firm meets all of the eligibility criteria required by Maryland law along with those stipulated by the WSSC. There are five standards that a firm must meet to be registered as an SLBE with the WSSC:

1. The firm must be an independently owned and operated business.
2. The firm must have an annual net worth no greater than \$250,000.
3. The average of a firm's income (net profit) from the two preceding fiscal years may not be greater than \$100,000.

## Program Development (Cont.)

4. The firm must have its principal place of business or a significant employment presence in Montgomery or Prince George's County. A significant employment presence is having at least 50 percent of the firm's employees working in one or both counties.
- 5 The business must be in operation for at least one year; or a principal of the firm (owner, officer, CEO) must have at least three years of relevant experience.

To date approximately 95 firms have registered with WSSC's SLBE Program. Firms are strongly encouraged to apply to determine if they are eligible for the program. Contract opportunities will be made available to the pool of vendors who apply and are registered to participate. Since



the program's inception, the WSSC has been successful in awarding several contracts to small and local businesses. Taylor Utilities, Inc., a local firm that specializes in underground utility was awarded a contract to provide water house connection and site specific services; while Wills Trucking, a local certified minority-owned firm that specializes in underground utility construction and hauling, won two contracts for water and sewer house connections. In an effort to keep SLBE vendors informed, each firm in the underground utility, plumbing and construction categories is contacted directly by the SLMBE Group regarding upcoming contract opportunities in the SLBE Program.

There are many services represented on the list of approved firms. Examples are listed below:

<u># Firms</u>	<u>Expertise</u>
23	Construction/Plumbing/Underground Utility
6	Consulting
5	Maintenance (lawn/janitorial)
7	Marketing
3	Office Services (office, computer, and printer supplies)
3	Temporary Employment

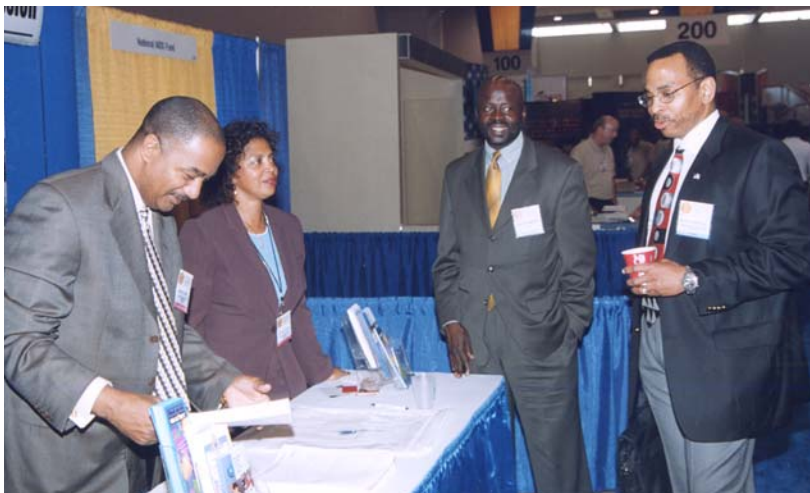
Earlier this year the WSSC selected BBC Research, Inc. to update the Commission's disparity study to determine the current state of the Commission's MBE program and whether there is a need to introduce a mandatory minority requirement in Construction.



## Outreach, Presentations and Workshops

While the SLMBE Group is proud of its accomplishments, we will not rest on our laurels. There are hundreds of small and minority firms that are potential contractors who could play a vital role in the success of the SLMBE Program and the Commission's commitment to the economic development of both counties. We are continuously developing and participating in outreach activities to introduce new vendors to the Commission. The SLMBE Group introduced The Gordian Group to the Commission in 2001. The Gordian Group introduced its Job Ordering Contracting (JOC) Program to prospective users. The Systems Infrastructure Group Leader recognized the potential benefit for the management of the Commission's ongoing sewer and water main projects.

JOC is a firm, fixed priced, competitively bid, indefinite quantity contract. It is a performance-based contract, which provides a financial incentive for a contractor to perform well and fulfill the contractual requirements. JOC was introduced in the United States in 1985. Currently, it is used by the Department of Defense, Department of Transportation, General Services Administration, and the Office of Housing and Urban Development, to name a few. JOC promises to reduce procurement time, save money and improve performance by reducing business development activity and expenses, providing a prompt and steady flow of payments, and rewarding contractors for good performance. The SLMBE and Systems Infrastructure Groups, and The Gordian Group are strategically planning a series of outreach events to educate and encourage small and minority vendors to participate in the new JOC Program.



The SLMBE Group will continue to present educational programs, seminars, and networking events, which are designed to inform and create opportunities for small and minority business owners to excel, as well as provide solid foundations for entrepreneurial and capacity building within the community.

*Listed on the following pages are some of the highlights of the SLMBE Group's outreach activities and accomplishments for fiscal year 2004:*

## Outreach, Presentations and Workshops (Cont.)

The SLMBE Group hosted an internal workshop on the Small Local Business Enterprise (SLBE) Program. This workshop was designed to educate project managers and other employees who are involved with the various WSSC contracting processes for the new



SLBE Program. These individuals initiate the majority of the contracts issued by WSSC. Each participant was provided a portfolio that included the SLBE guidelines, the Standard Procedures for the SLBE Program, copies of all associated forms and a program guide. This workshop informed staff about the program's specifics and set the tone for the implementation of the new SLBE Program. Approximately 50 employees attended four sessions over a two-day period.



The following month the SLMBE Group attended the Inauguration of the Hispanic/Latino Chamber of Commerce for Prince George's County. The WSSC was the first company to join the Chamber. The SLMBE Group is actively involved in events and programs that outreach to Hispanic firms and organizations such as the Hispanic/Latino Chamber of Commerce.

## Outreach, Presentations and Workshops (Cont.)

The SLMBE Group participated in the Maryland Congressional Procurement Conference and Exposition at the University of Maryland, Shady Grove Conference Center in Rockville, Maryland. This year's theme was "How to sub your way to prime time."



The SLMBE Group gave a workshop on "Contracting Opportunities at WSSC." This was one of the first events where the SLMBE Group highlighted the new SLBE program to vendors from Montgomery County. This program received a national award for Communications Excellence from the American Chamber of Commerce Executives.



The SLMBE Group was invited to participate as an exhibitor in the Maryland Hispanic Business Association's Second Annual Business Conference. This event was held at the Hilton Hotel in downtown Silver Spring, Maryland. The conference was initially conceived in January 2001 by a group of Latino business owners in Maryland. The event was designed to explore ways in which Hispanic businesses could grow and strengthen their presence as strong proponents for greater economic opportunities with the State. Guest speakers included the Honorable Robert Ehrlich, Governor of the State of Maryland and Lieutenant Governor Michael Steele.



## Outreach, Presentations and Workshops (Cont.)

In the summer of 2003, Governor Robert Ehrlich established a Commission on Minority Business. The Commission's task was to review and make recommendations to improve minority business participation throughout the State of Maryland. The SLMBE Group attended the hearing held at Prince George's Community College. The purpose of these hearings was to allow vendors to publicly air obstacles that have hindered their economic growth. The Governor signed House Bill-1487 into law, which requires State procurement managers or officers to reserve 10 percent of their procurements for bid solely by small businesses; and House Bill 1488, which requires prime contractors to name their MBE subcontractor(s) in their bid packages. This eliminates the 10-day waiting period to list subcontractors.

In April the SLMBE Group attended the fourteenth annual Office of Small Disadvantaged Business Utilization (OSDBU) Procurement Conference at the Show Place Arena in Upper Marlboro, Maryland. This is a national conference that fosters partnerships between the Federal Government, and small and minority businesses. The participants include prime contractors, small and minority



contractors, service-disabled veteran owned, veteran-owned, HUB zone, and women-owned businesses. The conference was extremely well attended and provided excellent opportunities for networking with small and minority vendors.

On yet another occasion to celebrate the achievements of minority businesses, the SLMBE Group was invited to participate in a panel discussion for the National Federation of Black Women Business Owners in Washington, DC. The theme of the seminar was "Minority Business Development and Marketing Strategies."

In conjunction with the Maryland Department of Transportation (MDOT), the SLMBE Group on two occasions this past year, worked to bring our joint message of opportunity and inclusion to the regional small and minority business owners.

The SLMBE Group participated in the Maryland Department of Transportation, Office of Minority Business Enterprise's outreach event "Building Equity One Bid At A Time" at Howard Community College.

## Outreach, Presentations and Workshops (Cont.)

Earlier this year the SLMBE Group participated with the MDOT & Korean MBE Association/Korean Association of Maryland/Asian American Community Annual MBE Conference, "Doing Business with the Maryland Government." The procurement workshop highlighted the importance the Governor has placed on providing assistance to minority businesses by proposing increased compliance, mentor protégé programs, a MBE task force, centralized bidder registration, an internet site and a MBE handbook with training and performance measures and incentives.

The SLMBE Group exhibited at the Baltimore/Washington Corridor Chamber of Commerce Annual Business/Procurement Fair. This event was held at the Villa, Calverton, Maryland. The fair was a huge success with over 700 businesses attending. The fair provided the opportunity to support and to gain information about contracting opportunities with the Government. This was a joint effort by the SLMBE Group and WSSC's Procurement Group.

The SLMBE Group also exhibited at the Congressional Black Caucus (CBC) Procurement Fair in Washington, DC. The CBC attracts more than 30,000 people representing significant consumer markets and networks at the local, state, national and international levels. The CBC Business Exchange brings together exhibitors from the private and public sectors to assist small and minority-owned businesses and entrepreneurs.

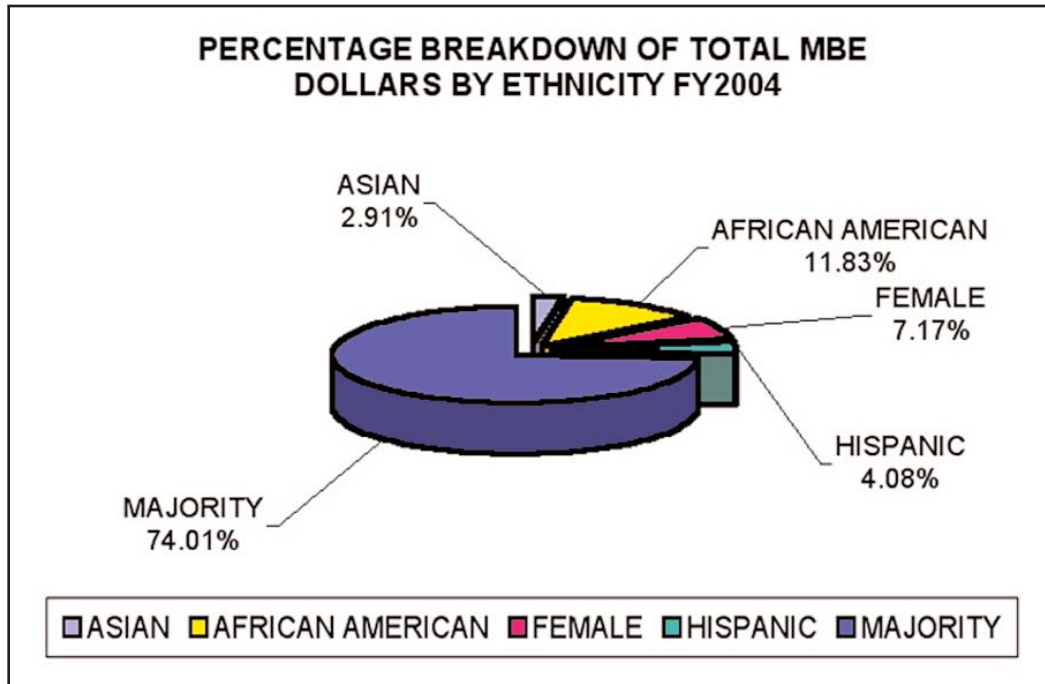
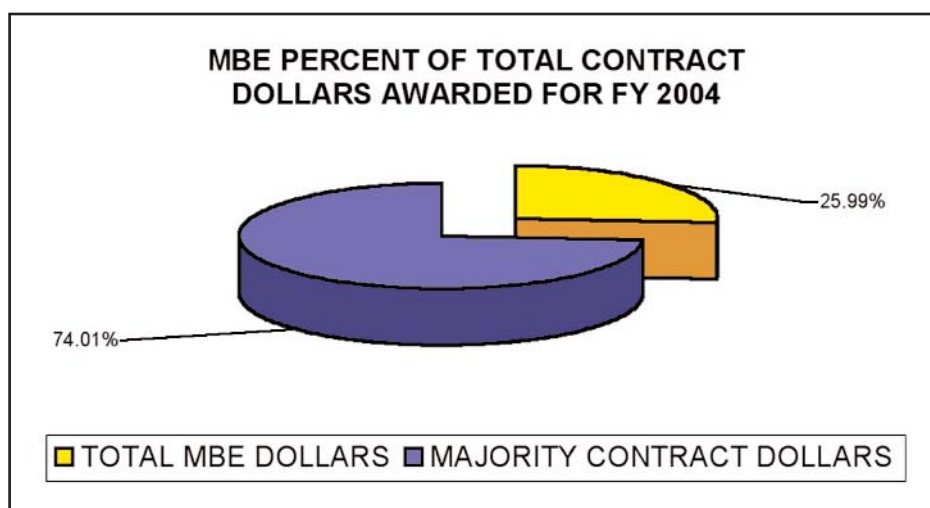


With the frequency of water main, sewer and other utility opportunities, the WSSC SLMBE Group decided to sponsor a minority business workshop for plumbers and utility contractors. The purpose of the workshop was to familiarize small and minority contractors with opportunities available at the WSSC, and to educate them how WSSC does business. Representatives from the WSSC Entrepreneurial Team, Engineering and Construction (E&C) Team and the SLMBE Group made presentations at the workshop.

One of the largest and most successful outreach events of the year is the DC Probiz exhibition. This event is the largest small and minority business procurement Conference event in the Washington Metropolitan business community. This event attracted over 2,000 attendees and exhibitors. The SLMBE Group also participated on a panel that discussed "Contract Opportunities in Water and Sewer Management."

## Narrative Summary of Participation Statistics

In fiscal year 2004, the Commission awarded a total of \$104,587,655 in contracts. This amount reflects dollars from the four contracting areas of Architecture and Engineering, Construction, Procurement and Professional Services. Of this amount, certified minority business enterprises (MBEs) were pledged a total of \$27,190,152 or 25.99 percent. Below are graphical depictions of the minority participation on the total contracting dollars awarded for fiscal year 2004.

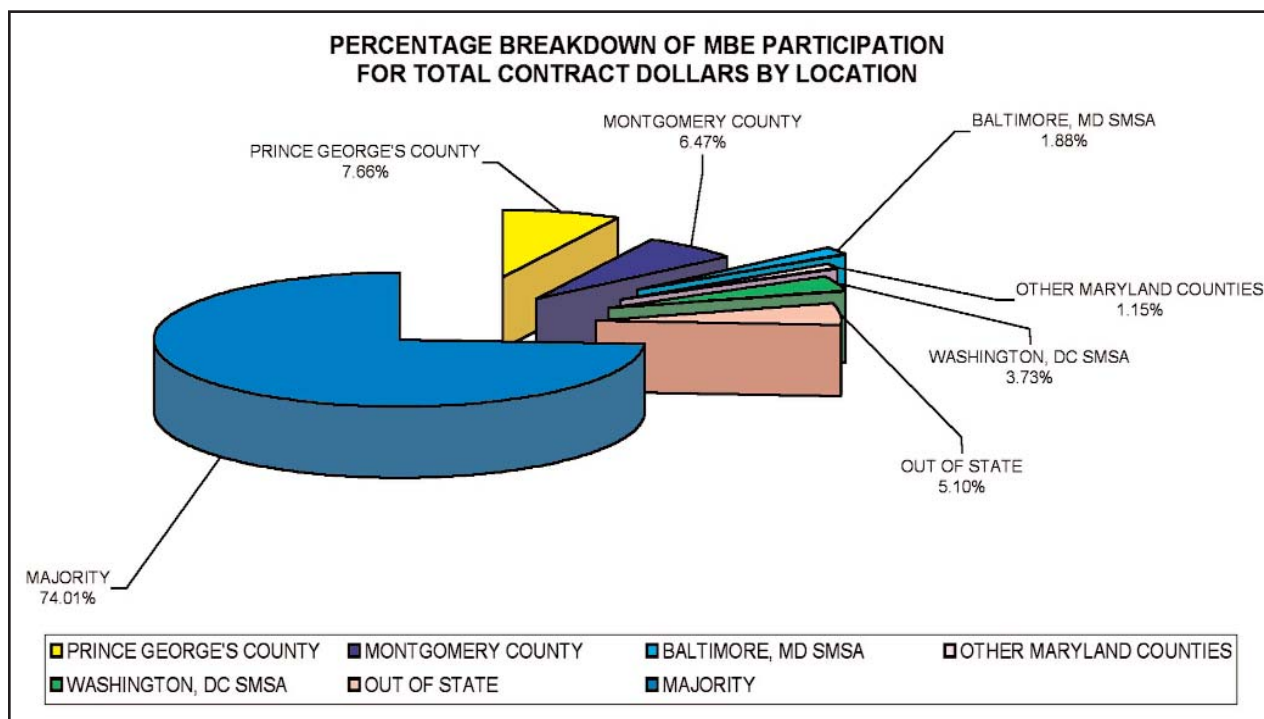


## Narrative Summary of Participation Statistics (Cont.)

There appears to be no correlation between MBE participation and the amount of contract dollars awarded. In FY 2002, there was a \$20 million decline in total contract dollars from FY 2001, yet there was a ten percent increase in MBE participation. Likewise in FY 2003, there was an increase of almost \$20 million in total contracting, yet the Commission experienced a more than 10 percent decrease in MBE participation. Notably, in FY 2004, there was approximately a \$12 million decrease in contracting but only a four-percentage point decrease in MBE participation. All other contracting areas continue to meet or exceed their goals, with the exception of Construction. Below is a chart detailing a four-year history of total contracting dollars awarded, and the amount of MBE participation pledged.

YEAR	TOTAL DOLLARS	MBE DOLLARS	MBE %
2001	116,551,032	40,375,244	34.64%
2002	96,934,283	38,495,808	39.71%
2003	116,758,003	34,984,290	29.96%
2004	104,587,655	27,190,152	25.99%

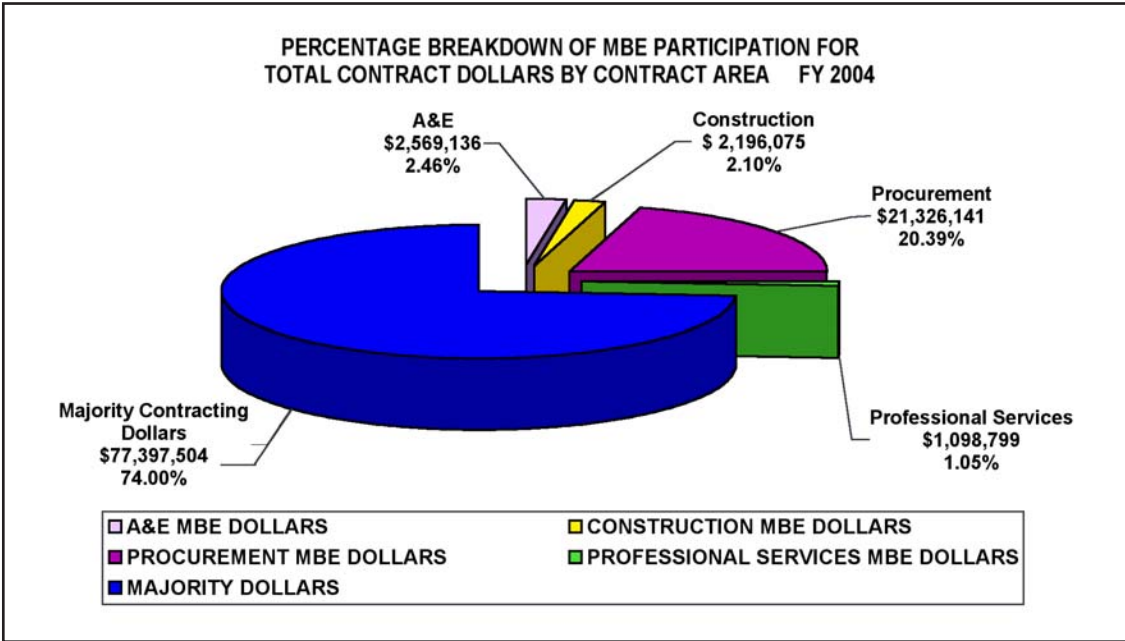
The pie chart below illustrates the breakdown of MBE participation by jurisdiction as a percentage of total contracting dollars for FY 2004.



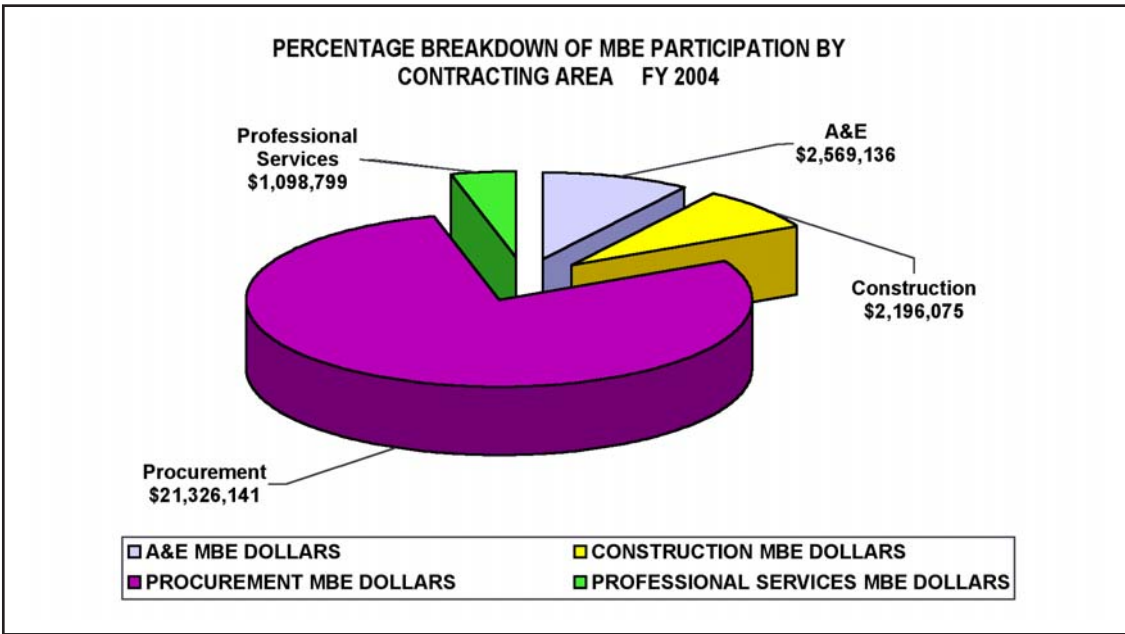


# Narrative Summary of Participation Statistics (Cont.)

The chart below depicts the MBE Dollars pledged within the contracting areas as a percentage of total contracting dollars.

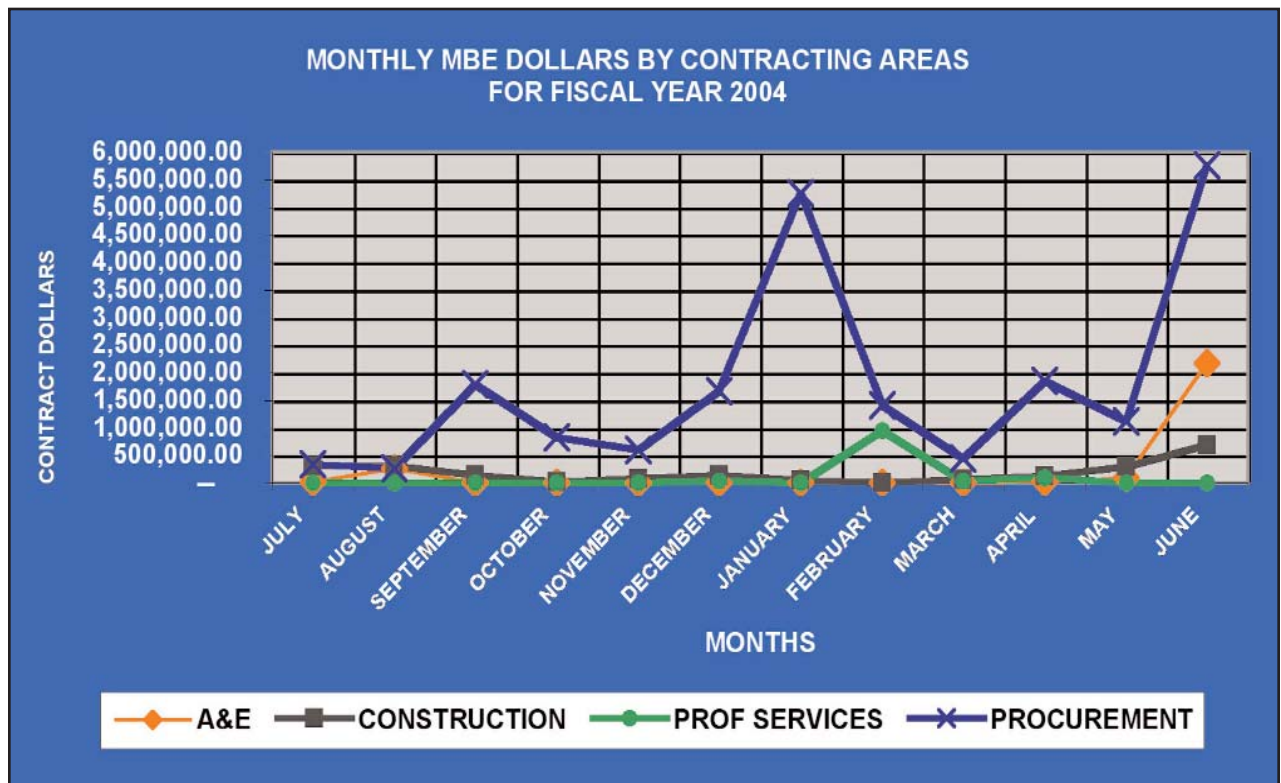


The chart below depicts how the total fiscal year 2004 MBE dollars breakout by contracting area.



## Narrative Summary of Participation Statistics (Cont.)

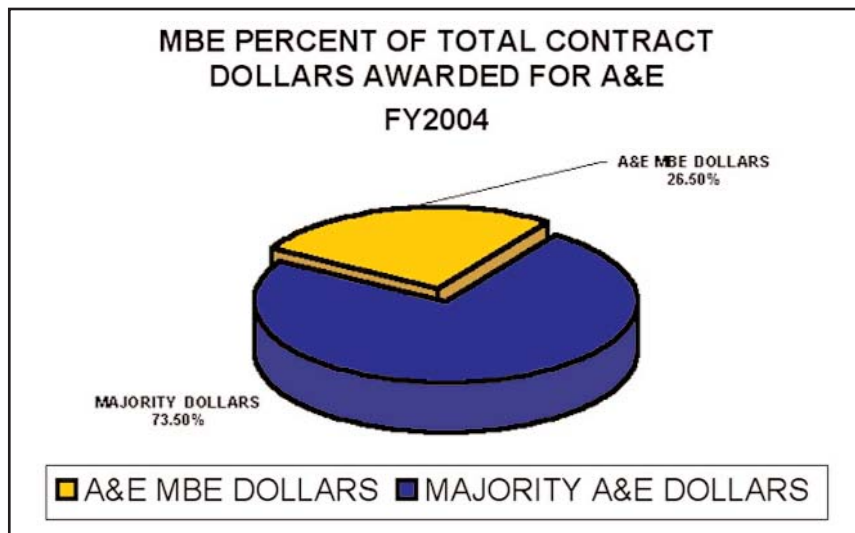
The line graph below reflects the monthly flow of dollars by contracting area for FY 2004.



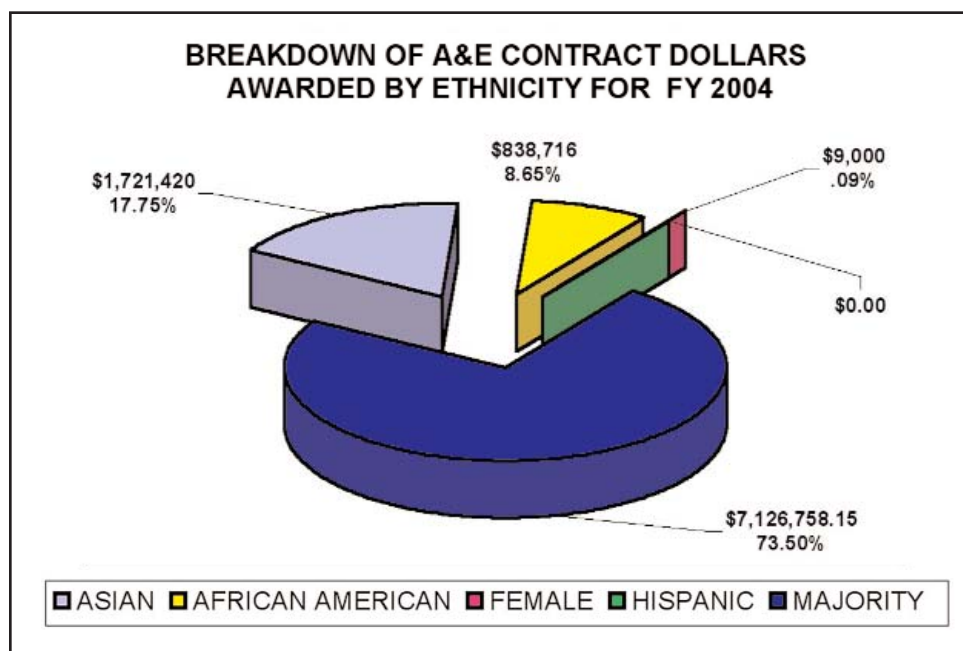
## Narrative Summary of Participation Statistics (*Cont.*)

For a more in depth view of these contracting dollars, it is important to look at each contracting area individually.

In **Architecture and Engineering (A&E)**, a total of **\$9,695,894** was awarded. Of that total, **\$2,569,136** were pledged to certified minority-owned firms, accounting for **26.50 percent** of the A&E dollars awarded. This amount exceeds the A&E goal of 24 percent. Graphical illustrations of the minority participation on total A&E contracting dollars for fiscal year 2004 are below.

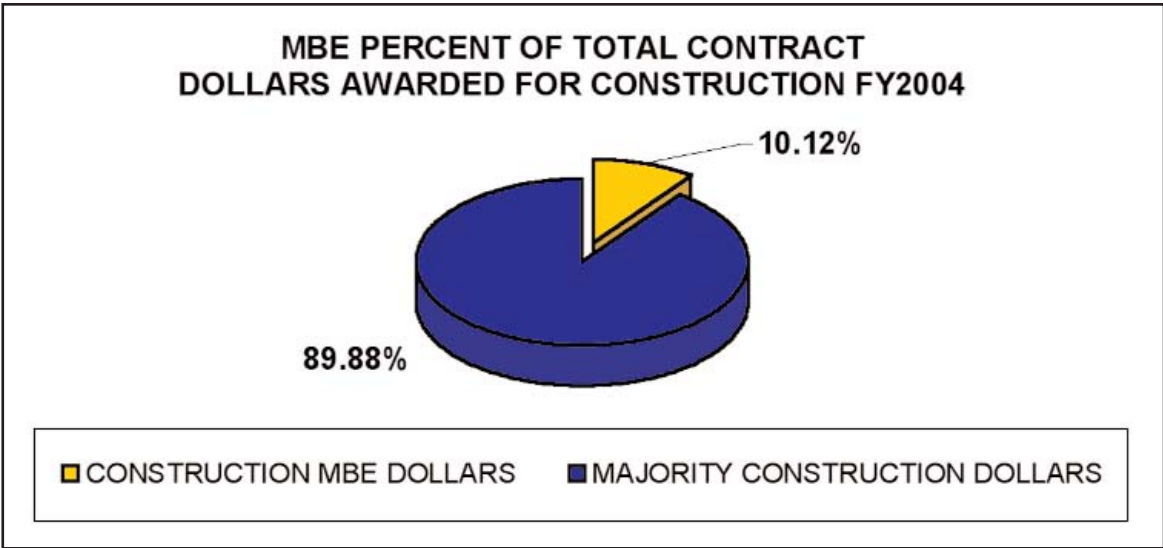


Graphical depiction of A&E contracting dollars awarded by ethnicity:

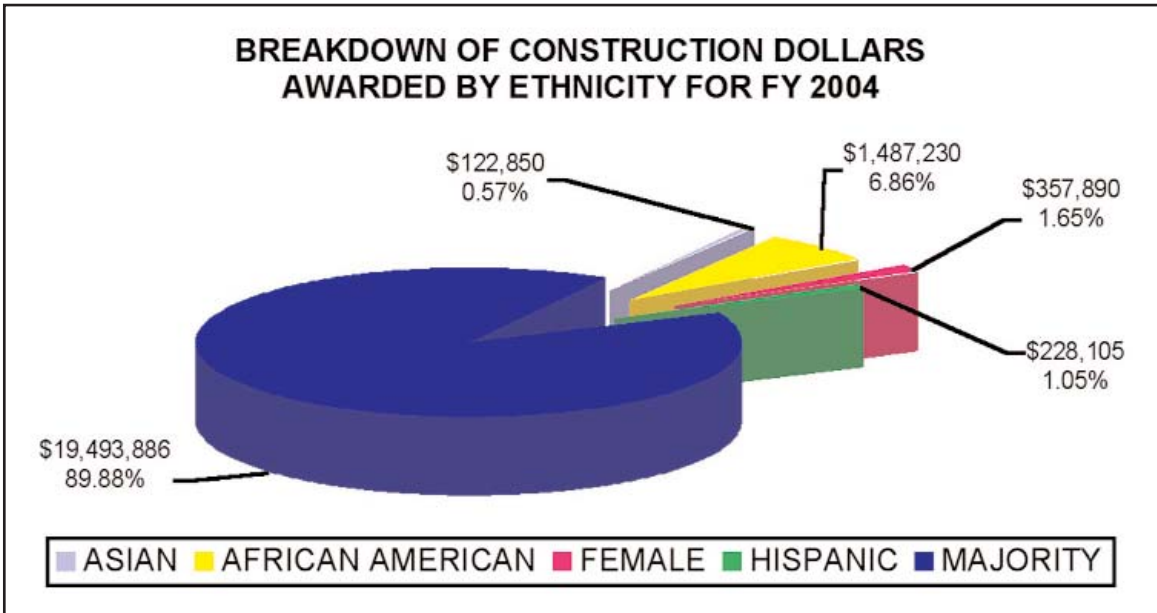


# Narrative Summary of Participation Statistics (Cont.)

**Construction** has a **voluntary goal of 20 percent**. It continues to be a challenge to achieve much more than half this amount. In FY 2004 **total awards were \$21,689,691**, and pledges of **\$2,196,075 or 10.12 percent** were made to certified minority-owned firms. Through the month of May, total participation had only reached 7.30 percent. However, a banner month of June with 67.18 percent, brought the final percentage of MBE participation to 10.12 percent. C&R Environmental, a certified MBE from Baltimore, Maryland, was awarded a contract in the amount of \$622,000. Below is a graphical illustration of the minority participation on total Construction contracting dollars for fiscal year 2004.



Graphical depiction of Construction contracting dollars awarded by ethnicity:

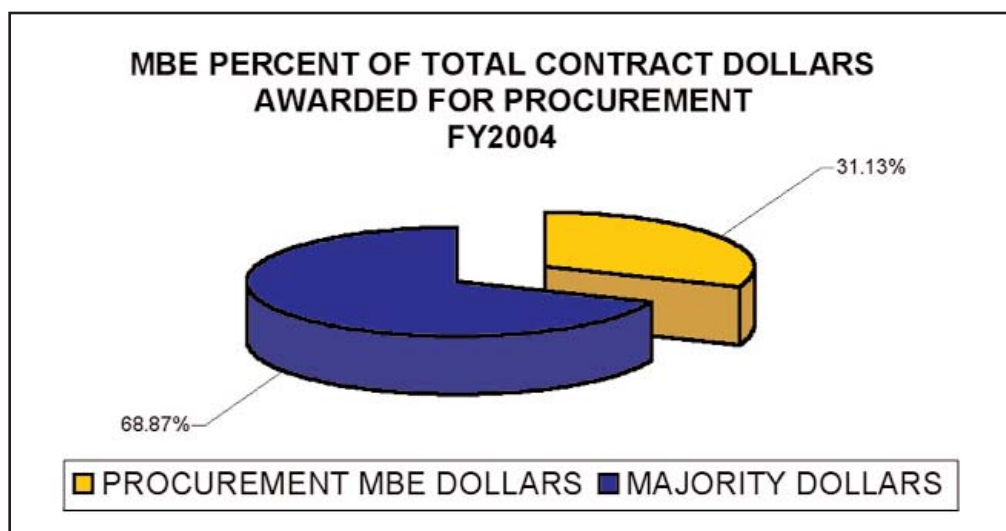




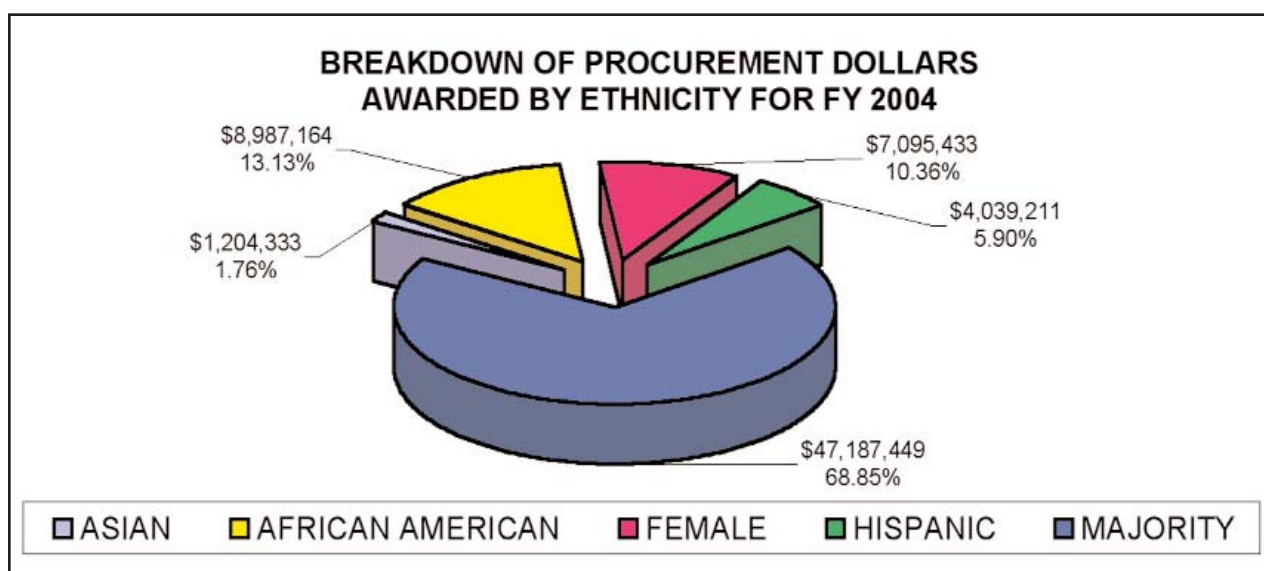
## Narrative Summary of Participation Statistics (Cont.)

Both Procurement (the contracting for goods and services) and some of the Professional Services contracts are managed through the same area. However, since they are subject to separate MBE goals, they are tracked separately. Procurement has a goal of 28 percent, and the Professional Services goal is 20 percent. There still remains several letter agreements that are not tracked through any area.

Total contract dollars in FY 2004 for **Procurement** were **\$68,513,590**. MBE participation on these contracts was **31.13 percent or \$21,326,141**. Although there is a three percent drop from FY 2003, the MBE goal of 28 percent was still exceeded. Graphical illustration of the minority participation on total Procurement dollars for fiscal year 2004 are below.

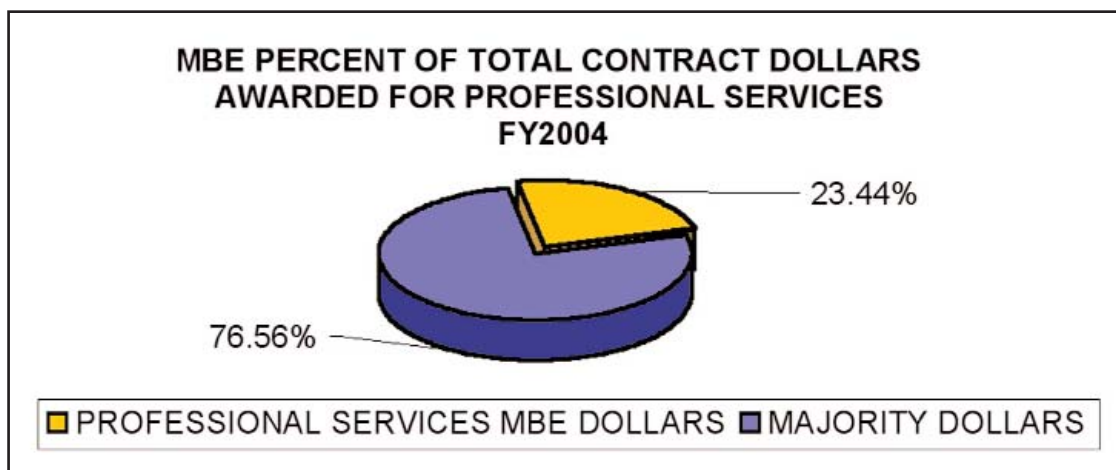


Graphical depiction of Procurement contracting dollars awarded by ethnicity:

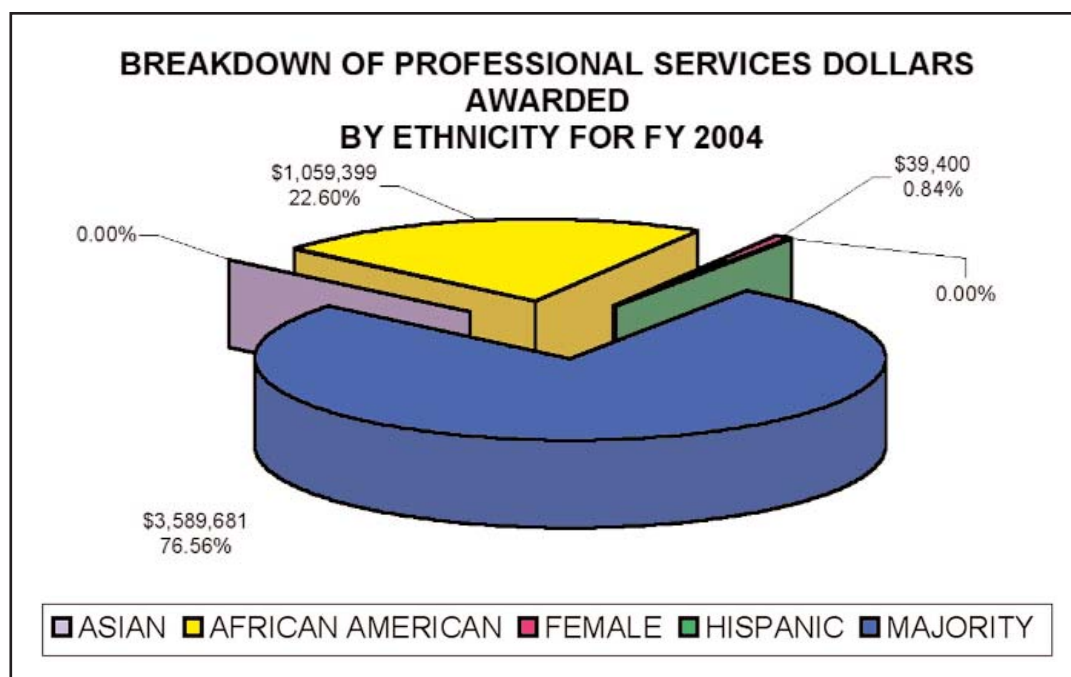


## Narrative Summary of Participation Statistics (Cont.)

In FY 2004, there were \$4,688,480 in **Professional Services** contracts, and of that amount, \$1,098,799 were promised to certified minority-owned firms. MBE participation accounted for **23.44 percent** of the total contracting dollars. MBE participation for Professional Services exceeded the goal of 20 percent by almost 3.50 percent. Participation by minority business enterprises in FY 2003 was 51.90 percent. This exceptional showing was due to a large contract awarded to a MBE firm to conduct Commission-wide employee training. Below, illustrated graphically, is the minority participation on total Professional Services contracting dollars for fiscal year 2004.



Graphical depiction of Professional Services contracting dollars awarded by ethnicity:



## Summary

Fiscal year 2003–2004 proved to be successful for the SLMBE Program. Policies and procedures were approved pursuant to Article 29, Section 3-110 of the Annotated Code of Maryland, for the new Small Local Business Enterprise (SLBE) Program. This new program enabled the Commission to open a new avenue of opportunities for small, local and minority businesses in the bi-county area. For the fourth consecutive year the Commission has exceeded its MBE goals. This was accomplished through aggressive outreach and a firm commitment to broaden the pool of vendors, consultants and contractors to match the landscape of the counties that we service and the community at large.

The Maryland General Assembly did not pass any significant bills that will directly affect the WSSC. However, the legislature passed House Bill 1487, which requires State procurement programs to reserve 10 percent of all bids procured through the State of Maryland, solely for bid by small and minority businesses. And, House Bill 1488 requires prime contractors to name their MBE subcontractors in their bid packages. These new laws will positively impact WSSC and other regional small and minority programs.

As mentioned earlier, the SLMBE Group has been successful in registering approximately 95 firms in the WSSC SLBE Program. The program has awarded several contracts to local and small businesses. The program's success is attributed to the SLMBE Group's aggressive outreach efforts and dedicated commitment to assuring that all businesses in Montgomery and Prince George's Counties benefit from contracting opportunities with the Commission.

The WSSC takes pride in presenting this Legislative Report to the Montgomery and Prince George's County Senate and House Delegations. It demonstrates WSSC's commitment to providing opportunities for minority businesses. It is also our pledge to expand opportunities for small and local firms, which demonstrates our commitment to the economic development of Montgomery and Prince George's Counties.

